

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
FIRST SET OF INFORMATION REQUESTS FROM THE D.T.E.
D. T. E. 05-27

Date: June 23, 2005

Responsible: John E. Skirtich, Consultant (Revenue Requirements)
Joseph A. Ferro, Manager, Regulatory Policy

DTE 1-17 Refer to Exh. BSG/JAF 3-1, Tariff M.D.T.E. No. 37, §§ 5.01- 5.04. Please explain in detail how the Company intends to recover prepaid pension and PBOP amounts through the proposed Pension and PBOP Expense Factor.

Response: The Company proposes to recover prepaid pension and PBOP amounts by recovering the carrying costs on the net prepaid (or accrued) balance sheet position of these benefit plans, as set out in Section 5.07 of the LDAC – Pension and PBOP Expense Factor Formula. In the formula, the pre-tax weighted cost of capital is applied to the average prepaid amount of the prior year.

Absent this proposed LDAC recovery treatment of the Pension and OPEB costs, the Company would have included the net prepaid (or accrued) balance sheet position in the rate base calculation. The Company proposes to not include the carrying cost recovery in the traditional rate base recovery mechanism, but rather recover these obligations through its LDAC mechanism.

The Company certainly would be amenable to rewording the Section 5.01 Purpose of the LDAC tariff, by replacing “including prepaid amounts” with “as well as carrying costs on the net prepaid (or accrued) balance sheet position of these benefit plans.” The Company could ultimately submit such a revision through the compliance filing of tariffs at the conclusion of the case.

The Company maintains that including the carrying cost for the net prepaid position in an annually adjusted rate provides the following efficiencies in administration and oversight:

- The carrying cost amounts are adjusted annually – ensuring the costs recovered from customers reflect more current costs incurred.
- Adjusting annually better ensures the Company will fund the benefit plans and provides a disincentive when the net prepaid

position turns to a net liability position and the carrying costs are negative.

- The entire Pension/PBOP recovery mechanism is encompassed in one portion of the tariff, which will reduce confusion and further simplicity of administration of the rate mechanism in the future.

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
THIRD SET OF INFORMATION REQUESTS FROM THE D.T.E.
D. T. E. 05-27

Date: June 23, 2005

Responsible: Danny G. Cote, General Manager

DTE-3-1 Refer to Exh. BSG/DGC-1, at 8. Please provide copies of:

- 1) the referenced U.S. Department of Transportation and Department regulations concerning leakage surveys;
- 2) any other policy manuals or publications used by the Company in performing its annual leak detection surveys on mains; and
- 3) any reports prepared based on the annual leak detection surveys for years 2000 through 2004.

REVISED

Response:

- 1) Attached as Attachment DTE-3-1 (a), please find a copy of 49 CFR Part 192.723.
- 2) Attached as Attachment DTE-3-1 (b), please find a copy of Bay State Gas' Operating & Maintenance (O&M) Procedure 14.06, Distribution System Surveys
- 3) The Company utilizes leak survey consultants to conduct leak surveys in each of its three service territories. At the beginning of each year, the Company provides the leak survey consultants territory maps of its entire system. The maps show the location of all gas mains in both business districts and non-business districts. As each gas main is surveyed for leaks, the consultant highlights on the map, the segment of mains surveyed. The consultant also writes the date on which the survey was performed on the map. The process and documentation is consistent in each service territory. In order to encompass its Massachusetts service territories, Bay State has approximately 420 territory maps for each of the 5 years in question (or approximately 2,100 maps for leak surveying alone). The quantity of maps, the integrity of the information they contain, combined with the complexity of hand-written colored highlights, make them inappropriate for reproduction and too numerous if Bay State were required to reproduce individually each leak survey map associated with each service territory. The Department may view these maps at Bay State's operations centers, or if it prefers, Bay State can arrange a time for reviewing them at either the Department's offices or the Boston office of Bay State's counsel, Nixon Peabody.

[Code of Federal Regulations]

[Title 49, Volume 3]

[Revised as of October 1, 2004]

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[CITE: 49CFR192.723]

[Page 88]

TITLE 49--TRANSPORTATION

CHAPTER I--RESEARCH AND SPECIAL PROGRAMS ADMINISTRATION, DEPARTMENT OF TRANSPORTATION (CONTINUED)

PART 192_TRANSPORTATION OF NATURAL AND OTHER GAS BY PIPELINE: MINIMUM FEDERAL SAFETY STANDARDS--Table of Contents

Subpart M_Maintenance

Sec. 192.723 Distribution systems: Leakage surveys.

(a) Each operator of a distribution system shall conduct periodic leakage surveys in accordance with this section.

(b) The type and scope of the leakage control program must be determined by the nature of the operations and the local conditions, but it must meet the following minimum requirements:

(1) A leakage survey with leak detector equipment must be conducted in business districts, including tests of the atmosphere in gas, electric, telephone, sewer, and water system manholes, at cracks in pavement and sidewalks, and at other locations providing an opportunity for finding gas leaks, at intervals not exceeding 15 months, but at least once each calendar year.

(2) A leakage survey with leak detector equipment must be conducted outside business districts as frequently as necessary, but at least once every 5 calendar years at intervals not exceeding 63 months. However, for cathodically unprotected distribution lines subject to Sec. 192.465(e) on which electrical surveys for corrosion are impractical, a leakage survey must be conducted at least once every 3 calendar years at intervals not exceeding 39 months.

[35 FR 13257, Aug. 19, 1970, as amended by Amdt. 192-43, 47 FR 46851, Oct. 21, 1982; Amdt. 192-70, 58 FR 54528, 54529, Oct. 22, 1993; Amdt. 192-71, 59 FR 6585, Feb. 11, 1994; Amdt. 192-94, 69 FR 32895, June 14, 2004; Amdt. 192-94, 69 FR 54592, Sept. 9, 2004]

DISTRIBUTION SYSTEM SURVEYS

1. A gas detector survey (using combustible gas indicators, flame ionization equipment, infrared equipment and/or other industry accepted testing equipment) shall be conducted on distribution systems in business districts. The survey conducted should include tests of the atmosphere in gas, electric, telephone, sewer and water system manholes, catch basins, at cracks in pavement and sidewalks, and at other locations providing an opportunity for finding gas leaks. Business districts are defined as areas within pavement from building wall to building wall and/or where the principal commercial activity of the city or town takes place.
2. A leak survey shall be conducted on distribution systems outside of business districts.
3. Distribution system surveys of areas within business districts must be done at least once annually and at intervals not exceeding 15 months. Furthermore, in New Hampshire, this survey must be done between March 1 and December 1.
4. Distribution system surveys outside business districts must be done at least once annually. In New Hampshire, this survey must be done between March 1 and December.
5. Records of leak detection surveys must be made and retained for the period of time prescribed by regulations.

References:

49 CFR 192.723
220 CMR 101.06(21)
NH PUC 508.04
ME PUC 420(3)

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
THIRD SET OF INFORMATION REQUESTS FROM THE D.T.E.
D. T. E. 05-27

Date: June 23, 2005

Responsible: Stephen H. Bryant, President

DTE-3-4 Please provide a copy of Exh. BSG/DGC-2, Atts. A-F.

Response: Please see Attachment DTE-3-4 **(BULK)**.

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
THIRD SET OF INFORMATION REQUESTS FROM THE D.T.E.
D. T. E. 05-27

Date: June 23, 2005

Responsible: Danny G. Cote, General Manager

DTE-3-20 Please provide a legible copy of the pages labeled "Work Order Estimate Entry" (Bates number 3-89) and "Work Order Folders" (Bates number 3-90) in Exh. BSG/DGC-6.

Response: Please see Attachment DTE-3-20.

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
THIRD SET OF INFORMATION REQUESTS FROM THE D.T.E.
D. T. E. 05-27

Date: June 23, 2005

Responsible: Danny G. Cote, General Manager

DTE-3-23 Refer to Exh. BSG/DGC-9. Please provide any study used by the Company as the basis for determining the "internal hurdle rate for project approval" and explain any differences in internal hurdle rates among projects.

Response:

As a normal course of business and in response to changing business environments, the Company periodically reviews the discount rate(s) used in evaluating main and service extensions and makes changes when appropriate. In setting "internal hurdle rates" the Company employs its prospective cost of capital - based on a target (as opposed to actual) capital structure and the incremental (rather than embedded) cost of capital. The Company implemented changes to its internal hurdle rates in 1993, 1994, 1995 and 2000. In 2000, the Company implemented a tiered internal hurdle rate structure with different hurdle rates for "On the Main", "Off the Main", "Multi Phased Projects" and "Beyond the Meter" projects. The differences in hurdle rates are associated with the perceived difference in project risks.

The following is a list of attachments:

Attachment DTE-3-23 (A) Memorandum, Rate of Return – Cost of Capital (Revised for 1993 Tax Act) (8/23/93)

Attachment DTE-3-23 (B) Memorandum, Updated Cost of Capital (12/22/94)

Attachment DTE-3-23 (C) Memorandum, Updated Cost of Capital (10/18/95)

Attachment DTE-3-23 (D) Growth Investment Evaluation Framework for 2000

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
THIRD SET OF INFORMATION REQUESTS FROM THE D.T.E.
D. T. E. 05-27

Date: June 23, 2005

Responsible: Danny G. Cote, General Manager

DTE-3-24 Refer to Exh. BSG/DGC-9, at 2. Please explain the reasons why a separate analysis was performed for List Number 17, the Monson/Palmer MassPower and Monson/Palmer Expansion. Provide a copy of such analysis.

Response:

Due to the scope and size of the MassPower and Monson/Palmer Expansion project a separate analysis was performed. The MassPower and Monson/Palmer Expansion Project consisted of constructing gas distribution infrastructure to serve in the short term an electric generating station and in the long term to serve hundreds of customers in the towns Monson and Palmer.

The vast majority and most common discretionary main construction projects undertaken by the Company typically involve a short main extension to serve a single to a very few new customers for which the project can be completed in a relatively short construction period (e.g. a new main extension to serve 1 to 3 new customers to be constructed over a 2 week period and with total project costs less than \$100,000).

The next most common discretionary main construction projects typically undertaken are projects to serve a relatively larger number of new customers, have a longer planning horizon and which have a completed construction period that can span several years (e.g. a new main extension to serve a new residential housing development with 50 new homes to be constructed over a 3 year period and with total project cost greater than \$100,000).

Finally, the construction of a new distribution system to serve an entirely new town is not common. It required a long-term perspective and planning horizon. As envisioned and expected, over the period 1994 to 2004, the Company has expanded the distribution system in Monson and Palmer to serve hundreds (currently over 280) of residential and commercial customers. As such, the project was different than the typical new main construction project and required a separate analysis. See Attachment DTE-3-24 (A)

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
FIFTH SET OF INFORMATION REQUESTS FROM THE D.T.E.
D. T. E. 05-27

Date: June 23, 2005

Responsible: John E. Skirtich, Consultant (Revenue Requirements)

DTE-5-9 Refer to Exh. BSG/JES-1, at 29-30. Please provide a sample from the test year of the monthly invoice for contract billing from NCSC to Bay State. In addition, provide a sample from the test year of the monthly invoice for convenience billing from NCSC to Bay State.

Response: Bay State's response to AG-1-89 provides the monthly contract billings from NiSource Corporate Services to Bay State.

Please see Attachment DTE-5-9 for a sample of test year convenience billings for the month of November 2004. The first page of Attachment DTE-5-9 summarizes the intra-system Non-Cash Transactions for the month of November 2004. Typical convenience billed items are payroll, payroll taxes, benefits, and insurance premiums. Three convenience billed items designated as A, B, and C have been highlighted and cross-referenced to the corresponding invoices.

EW
12-2004

Intrasystem Non-Cash Transactions

Thursday, December 02, 2004

Page 1 of 2

Bay State Gas

November 2004

(Thousands of Dollars)

Date	Item Code	Co	Fin Code	Description	Cash Receipts		Cash Disbursements	
					Estimated	Actual	Estimated	Actual
11/1/2004	15-0012	CS		payroll				0
11/1/2004	20-0001	NI		INTEREST				437
11/1/2004	37-9000	CG	GIL	GAS INVENTORY LOAN		437		
11/2/2004	15-0001	CS		INSURANCE				142
11/2/2004	37-9000	CG	GIL	GAS INVENTORY LOAN		142		
11/4/2004	15-0001	CS		INSURANCE				269
11/4/2004	37-9000	CG	GIL	GAS INVENTORY LOAN		269		
11/5/2004	15-0012	CS		payroll				9
11/5/2004	37-9000	CG	GIL	GAS INVENTORY LOAN		9		
11/8/2004	15-0001	CS		INSURANCE				97
11/8/2004	15-0014	CS		Thrift Plan				56
11/8/2004	37-9000	CG	GIL	GAS INVENTORY LOAN		153		
11/9/2004	15-0012	CS		payroll				540
11/9/2004	15-0112	CS		payroll				272
11/9/2004	37-9000	CG	GIL	GAS INVENTORY LOAN		812		
11/10/2004	15-0012	CS		payroll				0
11/10/2004	37-9000	CG	GIL	GAS INVENTORY LOAN		0		
11/15/2004	15-0012	CS		payroll				0
11/15/2004	24-0008	CS		phh rental payment				44
11/15/2004	37-9000	CG	GIL	GAS INVENTORY LOAN		44		
11/16/2004	15-0012	CS		payroll				398
11/16/2004	15-0014	CS		Thrift Plan				88
11/16/2004	15-0112	CS		payroll				202 (4)
11/16/2004	37-9000	CG	GIL	GAS INVENTORY LOAN		688		
11/18/2004	15-0001	CS		INSURANCE				0
11/18/2004	37-9000	CG	GIL	GAS INVENTORY LOAN		0		
11/19/2004	15-0012	CS		payroll				554
11/19/2004	15-0014	CS		Thrift Plan				59
11/19/2004	15-0112	CS		payroll				270
11/19/2004	37-9000	CG	GIL	GAS INVENTORY LOAN		883		
11/23/2004	24-1113	CS		Banking Charges-Bank One				28
11/23/2004	37-9000	CG	GIL	GAS INVENTORY LOAN		28		
11/24/2004	15-0000	CS		Benefits				3,118
11/24/2004	15-0012	CS		payroll				2

Intrasystem Non-Cash Transactions

Thursday, December 02, 2004

Page 2 of 2

Bay State Gas

November 2004

(Thousands of Dollars)

Date	Item Code	Co	Fin Code	Description	Cash Receipts		Cash Disbursements	
					Estimated	Actual	Estimated	Actual
11/24/2004	15-0014	CS		Thrift Plan				86 (B)
11/24/2004	37-9000	CG	GIL	GAS INVENTORY LOAN		3,206		
11/29/2004	15-0012	CS		payroll				0
11/29/2004	24-0058	NI		A/P NI-NISOURCE				42
11/29/2004	24-0076	NU		MISC. A/P NORTHERN UT				0
11/29/2004	29-9000	CG	GIP	GAS INVENTORY PAYME				8
11/29/2004	37-9000	CG	GIL	GAS INVENTORY LOAN		42		
11/29/2004	BS-0006	GST		A/R GRANITE STATE GA		8		
11/30/2004	15-0012	CS		payroll				361
11/30/2004	15-0014	CS		Thrift Plan				58
11/30/2004	15-0112	CS		payroll				175 (C)
11/30/2004	15-1115	CS		PAYGO		192		
11/30/2004	29-9000	CG	GIP	GAS INVENTORY PAYME				723
11/30/2004	37-9000	CG	GIL	GAS INVENTORY LOAN		4,012		
11/30/2004	BS-0002	GST		A/P GRANITE STATE GA				2,987
11/30/2004	BS-0003	NU		A/P NORTHERN UTILITIE				430
11/30/2004	BS-0007	NU		A/R NORTHERN UTILITIE		530		
Subtotals					0	11,454	0	11,454
Totals						11,454		11,454

WIRE REQUEST FOR PAYROLL TAXES 11/12/04

Attachment DTE-5-9
DTE 05-27
Page 3 of 5

ADP COMPANY	COMPANY	COMPANY	AMOUNT					
COMPANY	CODE	CODE	NAME	DUE	RUN ID	RUN ID	RUN ID	RUN ID
					131	141	151	161
								171
		11	NISOURCE, INC.					
	NABW	12	NISOURCE CORP SERVICES	409,834.22		409,834.22		
	NCSA	14	COLUMBIA GULF TRANS CO	131,543.38			131,543.38	
		18	COLUMBIA LNG CORP	0.00				
		19	COLUMBIA SERVICE PARTNERS	0.00				
		29	COLUMBIA TRANS COMM	0.00				
	NCBS	32	COLUMBIA GAS OF KY	94,901.25		94,901.25		
	NDBS	34	COLUMBIA GAS OF OH	652,370.52		610,532.30		41,838.22
	NEBS	35	COLUMBIA GAS OF MD	29,299.20		29,299.20		
	NFBBS	37	COLUMBIA GAS OF PA	382,882.18		382,882.18		
	NLSA	38	COLUMBIA GAS OF VA	133,925.36		133,925.36		
	NMSA	46	COLUMBIA PROPANE LP	0.00				
	NIBS	51	COLUMBIA GAS TRANS CORP	651,297.44		640,272.47		11,024.97
		53	COLUMBIA NATURAL RESOURCES	0.00				
		55	HAWG HAULING & DISPOSAL	0.00				
	NQSA	57	CNS MICROWAVE INC	0.00				
NP	NNBW	59	NORTHERN IND. PUBLIC SERV	204,255.05	204,255.05			
NRS	NOBW	71	NISOURCE RETAIL SERVICES INC	0.00				
NS		NS	EUSA-COMM. NESI SOLUTIONS	0.00				
NT	NHBW	NT	NISOURCE ENERGY TECH.	0.00				
PE	NKBW	PE	PRIMARY ENERGY	0.00				
TPC	NLBW	TP	ENERGY USA-TPC	0.00				
SM&P		SM	SM &P	0.00				
IW		IW	INDIANAPOLIS WATER	0.00				
KM	NAMU	KM	KOKOMO GAS & FUEL CO	0.00				
TR	NBFB	TR	NORTHERN IND. TRADING CO	0.00				
NF	NAFB	NF	NORTHERN IND. FUEL & LIGHT	0.00				
BG	NABR	BG	BAY STATE GAS	202,896.07	(A)	BSG		202,896.07
GR	NDWN	GR	GRANITE STATE TRANSMISSION	1,879.60				1,879.60
NU	NCWN	NU	NORTHERN UTILITIES	23,152.09		NU		23,152.09
EU		EU	ENERGYUSA INC.	0.00				
TOTAL AMOUNT DUE				2,918,236.36	204,255.05	2,301,646.98	131,543.38	52,863.19
								227,927.76

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CASH MANAGEMENT
ENERGY DISTRIBUTION FAST
PAID BY INTERCOMPANY
NONCASH TRANSACTION

**NISOURCE
EMPLOYEE BENEFITS PAYMENTS
WIRE INFORMATION**

Attachment DTE-5-9
DTE 05-27
Page 4 of 5

COMPANY	Co Name	TOTALS	CARRIER	BANK	MONTH
Plan 90053			Fidelity Investments	Bankers Trust Co., NY Acct.# 00163002	
	12 NISource Corp Services	-			
	14 Columbia Gulf Transmission	-			
	15 Columbia Energy Services Corp	-			
	16 Columbia Propane Corp	-			
	17 Columbia Electric Corp	-			
	18 Columbia LNG Corp	-			
	19 Columbia Service Partners	-			
	29 Columbia Trans Comm	-			
	32 Columbia Gas of KY	-			
	34 Columbia Gas of OH	10,034.69			
	35 Columbia Gas of MD	-			
	37 Columbia Gas of PA	-			
	38 Columbia Gas of VA	-			
	46 Columbia Propane LP	-			
	49 Columbia Petroleum Co	-			
	51 Columbia Gas Transmission	4,036.16			
	53 Columbia Natural Resources	-			
	57 CNS Microwave Inc	-			
	Adjustment	-			
Plan 90053 - Columbia		\$ 14,070.85			
Plan 90053					
	71 NISource Retail Services, Inc.	-			
	NT NISource Energy Technologies	2,389.82			
	NP NIPSCO	111,288.22			
	PE Primary Energy	450.86			
	TP TPC	4,832.71			
	NF NIFL	10,821.55			
	KM Kokomo	7,869.03			
	BG Bay State Gas-Salaried	31,893.51			
	EU Energy USA-Salaried	-			
	GR Granite-Salaried	121.19			
	NU Northern Utilities-Salaried	8,482.21			
Plan 90053-NISource		\$ 177,949.10			
Plan 90053 - Total		\$ 192,019.95			
Plan 06011-BBG					
	BG Bay State Gas-Union	54,083.93			
	EU Energy USA	-			
	GR Granite	782.47			
	NU Northern Utilities	5,060.58			
Plan 06011-BBG		\$ 59,926.98			
Plan 56804	NP NIPSCO - Union	175,899.23			
Grand Total		\$ 427,846.16			

31,893.51
54,083.93
85,977.44

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(B) APPROVAL: *Gloria Mariseich*
DATE: 11-24-04

985789

PAID BY INTERCOMPANY
NONCASH TRANSACTION

NOV 24 2004

CASH MANAGEMENT
ENERGY DISTRIBUTION EAST

payroll 2

WIRE REQUEST FOR PAYROLL TAXES 11/24/04

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COMPANY	ADP CODE	COMPANY CODE	COMPANY NAME	AMOUNT DUE	RUN ID 26I	RUN ID 27I	RUN ID 28I	RUN ID 29I	RUN ID 30I
		11	NISOURCE, INC.						
	NABW	12	NISOURCE CORP SERVICES	405,675.91			405,675.91		
	NCSA	14	COLUMBIA GULF TRANS CO	130,219.92				130,219.92	
		18	COLUMBIA LNG CORP	0.00					
		19	COLUMBIA SERVICE PARTNERS	0.00					
		29	COLUMBIA TRANS COMM	0.00					
	NCBS	32	COLUMBIA GAS OF KY	96,442.01			96,442.01		
	NDBS	34	COLUMBIA GAS OF OH	634,604.18		37,503.62	597,100.56		
	NEBS	35	COLUMBIA GAS OF MD	28,597.65			28,597.65		
	NFBS	37	COLUMBIA GAS OF PA	363,065.92			363,065.92		
	NLSA	38	COLUMBIA GAS OF VA	137,077.24			137,077.24		
	NMSA	46	COLUMBIA PROPANE LP	0.00					
	NIBS	51	COLUMBIA GAS TRANS CORP	630,969.00		7,801.43	623,167.57		
		53	COLUMBIA NATURAL RESOURCES	0.00					
		55	HAWG HAULING & DISPOSAL	0.00					
	NQSA	57	CNS MICROWAVE INC	0.00					
NP	NNBW	59	NORTHERN IND. PUBLIC SERV	203,707.71					203,707.71
NRS	NOBW	71	NISOURCE RETAIL SERVICES INC	0.00					
NS		NS	EUSA-COMM. NESI SOLUTIONS	0.00					
NT	NHBW	NT	NISOURCE ENERGY TECH.	0.00					
PE	NKBW	PE	PRIMARY ENERGY	0.00					
TPC	NLBW	TP	ENERGY USA-TPC	0.00					
SM&P		SM	SM & P	0.00					
IW		IW	INDIANAPOLIS WATER	0.00					
KM	NAMU	KM	KOKOMO GAS & FUEL CO	0.00					
TR	NBFB	TR	NORTHERN IND. TRADING CO	0.00					
NF	NAFB	NF	NORTHERN IND. FUEL & LIGHT	0.00					
BG	NABR	BG	BAY STATE GAS	175,040.44	175,040.44				
GR	NDWN	GR	GRANITE STATE TRANSMISSION	1,728.00	1,728.00				
NU	NOWN	NU	NORTHERN UTILITIES	20,670.22	20,670.22				
EU		EU	ENERGYUSA INC.	0.00					
TOTAL AMOUNT DUE				2,827,798.20	197,438.66	45,305.05	2,251,126.86	130,219.92	203,707.71

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PAID BY INTERCOMPANY
ON CASH TRANSACTION

NOV 30 2004

CASH MANAGEMENT
ENERGY DISTRIBUTION EAST

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
SIXTH SET OF INFORMATION REQUESTS FROM THE D.T.E.
D. T. E. 05-27

Date: June 23, 2005

Responsible: John E. Skirtich, Consultant (Revenue Requirements)

DTE-6-13 Refer to Exh. BSG/JES-1, at 37 and Exh. BSG/JES-1, Sch. JES-6, at 19. Please list all residual O&M accounts that contribute to ln. 23 of Exh. BSG/JES-1, Sch. JES-6, at 19. For each account, justify why that residual balance is subject to the inflation adjustment.

Response: Table DTE-6-13 below identifies the major cost components of the residual O&M cost which were used to determine the company's inflation adjustment. All of the individual costs are subject to general inflation. As the marketplace adjusts for higher energy costs (gas, oil, electricity), employee labor and benefits, etc., the cost of these items to Bay State will increase.

Table DTE-6-13

Residual O&M Accounts

Nisource Corporate Services, excluding Labor and Benefits	11,089,511
Rents and Leases, excluding Metscan	5,097,206
Outside Services	6,822,456
Cleared Accounts	3,827,953
Materials and Supplies, excluding Postage	2,661,415
Utilities	2,289,242
Employee Benefits, excluding Medical and Dental	792,514
Incentive Compensation	713,557
Employee Expenses	309,532
Advertising	257,193
Company Memberships	161,359
Other	<u>31,443</u>
Residual O&M Expense	<u><u>34,053,381</u></u>

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
EIGHTH SET OF INFORMATION REQUESTS FROM THE D.T.E.
D. T. E. 05-27

Date: June 23, 2005

Responsible: John E. Skirtich, Consultant (Revenue Requirements)

DTE-8-5 Refer to Exh. BSG/JES-1, at 28-29. Please provide a copy of two job orders, randomly selected from those issued on the last business day of the month for each month of the test year, where it was necessary to allocate charges incurred by NiSource Corporate Services Company between affiliates.

Response: Please see Bay State's response provided to DTE-5-38.

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
EIGHTH SET OF INFORMATION REQUESTS FROM THE D.T.E.
D. T. E. 05-27

Date: June 23, 2005

Responsible: John E. Skirtich, Consultant (Revenue Requirements)

DTE-8-6 Refer to Exh. BSG/SHB-1, at 25-26. Please provide a copy of two job orders, randomly selected from those issued on the last business day of the month, for each month of the test year, which show billings for services rendered from the Company to Northern Utilities and from Northern Utilities to the Company.

Response: Please see Bay State's response to DTE-5-39.

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
NINTH SET OF INFORMATION REQUESTS FROM THE D.T.E.
D. T. E. 05-27

Date: June 23, 2005

Responsible: John E. Skirtich, Consultant (Revenue Requirements)

DTE-9-16 Refer to Exh. BSG/JES-1, Workpaper JES-6, at 22. Please explain with supporting schedules the reasons for the negative entries under the applicable service category for January and September through December in 2002, February through April in 2003, and April through June, August, October and November in 2004.

Response: The detail on Workpaper JES-6, at 22 reflects the net charge-off activity recorded each month in 2002, 2003 and 2004. The net write-off activity is a combination of accounts written off as well as recoveries (or collections) of accounts previously written off. In most months, the write offs exceed the recoveries.

With the exception of June 2004 activity – the negative entries reflect months in which the recoveries of accounts previously written off exceed the write offs for that location.

The negative entries detailed in June 2004 reflect a problem encountered during the accounting closing process in which the write-offs were not calculated and recorded. The recoveries of customer accounts already written off were recorded. The June 2004 write-offs were included in the July 2004 processing and is reflected in the higher amounts noted in that month.

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RESPONSE OF BAY STATE GAS COMPANY TO THE
NINTH SET OF INFORMATION REQUESTS FROM THE D.T.E.
D. T. E. 05-27

Date: June 23, 2005

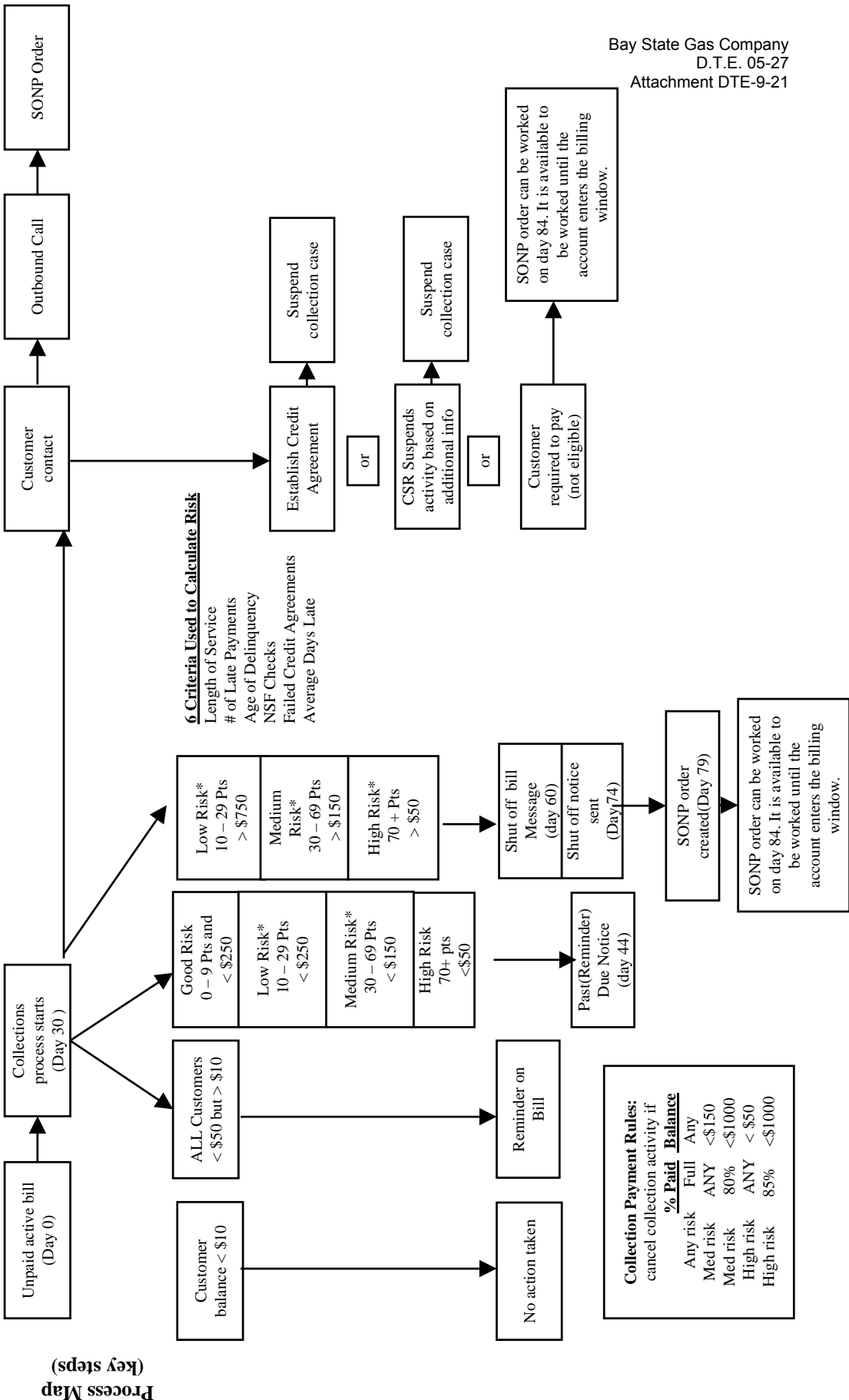
Responsible: John E. Skirtch, Consultant (Revenue Requirement)

DTE-9-21 Please describe the process of how the Company determines its monthly net write-offs for gas revenues. Provide a copy of any policy manuals and publications used as the basis for determining such net write-offs.

Response: Please refer to Attachment DTE-9-21.

High-level process map for BSG Active Collections –

Collections – Active



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Date: June 23, 2005

Responsible: John E. Skirtich, Consultant (Revenue Requirement)

DTE-9-22 Please describe the process of how the Company determines its net write-offs for EP&S revenues. Provide a copy of any policy manuals and publications used as the basis for determining such net write-offs.

Response: EP&S contracts attached to utility accounts are on a monthly write-off program. The current policy is to allow for write-offs to occur as early as day 75; however, since the write-off program runs once a month, the actual time that an account is written-off can be greater than 75 days.

EP&S contracts not attached to gas accounts are handled in the following manner:

Rental contracts:

During the collection process, accounts deemed to be uncollectible, are cancelled and the account is finalized. Every two to three months, a manual program will write-off balances aged 120 days and send the accounts to an outside collection agency for follow up.

Guardian Care Service Plans:

All contracts renew annually. At the time of renewal, accounts with balances equal to or greater than \$50 will cancel and not renew. Every two to three months, a manual program will write-off balances aged 120 days and send the accounts to an outside collection agency for follow up.

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RESPONSE OF BAY STATE GAS COMPANY TO THE
TENTH SET OF INFORMATION REQUESTS FROM THE D.T.E.
D. T. E. 05-27

Date: June 23, 2005

Responsible: Joseph A. Ferro, Manager Regulatory Policy

DTE-10-1 Please refer to Exh. BSG/JAF-1, at 39. The Company is proposing to increase the Meter Test Fee from \$10.00 to \$50.00.
A) Describe the circumstances upon which a customer is assessed a Meter Test Fee, including a consideration of circumstances whereby the Company determines a meter test is necessary;
B) explain whether this fee may be assessed when the Department orders a state monitored test of a meter;
C) explain whether this fee may be assessed when the Department orders company test of a meter;
D) detail Department precedent allowing companies to assess a fee specifically related to a meter test;
E) detail how the customer is notified about the Meter Test Fee.

Response: A) In accordance with Section 7.11 of the Company's Distribution and Default Service Terms and Conditions, M.D.T.E. 35, the Company may charge non-residential Customers for meter testing if the meter is found to register less than or equal to 2% above or below the standard, i.e., within the range of considered correct and accurate. Accordingly, the Company considers whether it will assess the meter test fee under these circumstances.

When a customer disputes the accuracy of the meter reading, the Company will investigate the consumption history of the account and often times has the meter reading verified. If the Company has determined that the meter readings, and associated billings, appear reasonable, but the customer still requests a meter test, then the Company will explain to the Customer (if non-residential) that if the meter tests within 2% accurate, the Company may charge you the meter test fee.

B) It is the Company's understanding that this fee may not be assessed when the Department orders a state monitored test of a meter.

C) It is the Company's understanding that this fee may not be assessed when the Department orders a company test of a meter.

D) Bay State is unaware of any Department precedent applicable to this.

E) See part A) above.

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RESPONSE OF BAY STATE GAS COMPANY TO THE
ELEVENTH SET OF INFORMATION REQUESTS FROM THE D.T.E.
D. T. E. 05-27

Date: June 23, 2005

Responsible: Danny G. Cote, General Manager

DTE-11-9 Refer to Exh. BSG/EMR-1, at 18. What are the Company's salvage procedures? How often are these salvage procedures reviewed?

Response: The Company records salvage from the disposal of plant assets in a sub account of the Reserve for Depreciation of Utility Plant in Service. At this time a retirement is recorded relieving the asset from account 101 Utility Plant in Service and a debit to the reserve account. The Company maintains a separate sub account for depreciation reserve, cost of removal and salvage.

This procedure was prescribed by the DTE Uniform System of Accounts for Gas Companies dated January 1st 1961.

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Date: June 23, 2005

Responsible: Danny G. Cote, General Manager

DTE-11-10 Refer to Exh. BSG/EMR-1, at 18. Explain the steps the Company has taken to control negative net salvage costs?

Response: The Company will continue to experience negative salvage in the Distribution accounts such as gas mains, gas services, and meter installations. These plant assets were placed in service many years ago at much lower cost per unit than it cost today to abandon them. This trend has been going on for years and will continue as we go forward. The Company tries to use the most efficient technology available to control the cost.

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RESPONSE OF BAY STATE GAS COMPANY TO THE
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D. T. E. 05-27

Date: June 23, 2005

Responsible: Danny G. Cote, General Manager

DTE-11-11 Refer to Exh. BSG/EMR-2, Section 2, at 2-1. Describe the Company's removal procedures for all Company plant included in Account 380 (Services). Include in the Company's response a list of all costs involved.

Response: See Attachment DTE-11-11 for the procedures the Bay State uses when abandoning service lines.

A list of costs includes: Labor charges, Materials charges, Contractor charges, Permit fees, Overheads.

ABANDONING INACTIVE SERVICE LINES

Follow this procedure to abandon a service in all operating territories. The Field Operations Leader is responsible for proper documentation.

1. Lock service valve.
2. Remove gas meter.
3. Take the fire extinguisher off the truck and place it beside the excavation before working on live gas.
4. Disconnect the service line at the main as follows: For steel mains: If the tee is equipped with a punch or cutter, carefully remove the cap and run the punch or cutter down into the tee to stop the flow of gas. Replace the tapping tee cap, cut the service and thread & cap the tapping tee outlet. If the tee is equipped with a punch or cutter, carefully remove the cap, pin the main and cut the service. For plastic mains: Carefully remove the cap and run the cutter down into the tee to stop the flow of gas and replace the tapping tee cap. Cut the service as close to the tee as practical. For cast iron mains: Install a jumper on the service, cut the service approximately 6 inches back from the swing fit. Temporarily stop the flow of gas with tape or other means and remove the tee. If the tee can be removed from the cast iron main and the tapped threads are in good condition, it is acceptable to install a plug in the tap hole. If there is a servi-seal on the main and the tee can be removed from the servi-seal, it is acceptable to install a plug in the servi-seal tap hole. If the tap hole threads are in poor condition, the pipe around the tap hole appears to be in poor condition or a plug cannot be installed in the tap hole, crews should install a full encirclement clamp or servi-seal and plug regardless of the diameter of the cast iron pipe.
5. Seal the ends of the pipe after the cut is made.
6. If convenient, remove the meter fit and associated piping.
7. Record all necessary information on the work order. If any information is unknown or unavailable, it must be listed as "unknown".
8. Inactive services must be abandoned within the time frame prescribed by the applicable state code.

Reference: 220 CMR 107

COMMONWEALTH OF MASSACHUSETTS
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RESPONSE OF BAY STATE GAS COMPANY TO THE
ELEVENTH SET OF INFORMATION REQUESTS FROM THE D.T.E.
D. T. E. 05-27

Date: June 23, 2005

Responsible: John E. Skirtich, Consultant (Revenue Requirements)

DTE-11-22 Refer to Exh. BSG/JES-1, at 15. Provide the following information: (A) a copy of the Company's incentive compensation program; (B) a list of the employees who earned incentive compensation during the test year and the amount paid to each; c) the total amount of incentive compensation included in test year cost of service; and (D) the amount of incentive compensation, if any, included in the Company's pro forma cost of service.

Response:

- (A) Please refer to Attachment DTE-11-22 for a copy of the Company's incentive compensation program.
- (B) Refer to the Company's response to AG-1-35 for this information.
- (C) The total amount of incentive compensation included in the per book O&M expense for Bay State employees is \$837,979.
- (D) Bay State adjusted this amount by \$124,422 (please see Exhibit BSG/JES-1, Schedule JES -6, page 3 of 20) for a net of \$713,557.

NiSource Corporate Incentive Plan

1. Purpose.

NiSource Inc. ("Company") established the NiSource Corporate Incentive Plan ("Plan") to provide additional compensation for employees who influence the profitability of the Company and its affiliates (individually, "Employer" and collectively, "Employers").

2. Administration.

The Plan is administered by the Officer Nomination and Compensation Committee ("Committee") of the Board of Directors of the Company ("Board"), which, subject to action of the Board, has complete discretion and authority with respect to the Plan and its application, except to the extent that discretion is expressly limited by the Plan.

3. Eligibility for Participation.

The participating group of employees ("Participants") under the Plan is comprised of exempt and non-exempt employees of the Company and its affiliates, excluding any employee who has received a last chance letter, final notice letter or equivalent during the Plan year, certain exempt employees who participate in other specialized functional incentive plans and bargaining unit employees of Kokomo Gas and Fuel Company. The Committee, in its sole discretion, shall determine each calendar year the identity of the Participants. The Committee may add additional employees, and remove employees, as Participants during each calendar year.

Notwithstanding the previous paragraph, an employee described above shall be a "Limited Participant" if he or she has received a suspension without pay during the Plan year. Any Participant not covered under the preceding sentence is a "Full Participant."

4. Determination of Incentive Payment.

The incentive payment calculation is shown on Exhibit I attached hereto. The Plan is predicated on establishing an incentive pool based on achievement by the Company of a financial trigger, as shown on Exhibit I, for the applicable calendar year, up to a maximum incentive pool established by the Committee. If the financial trigger is met or exceeded for a calendar year, an incentive pool is created for such calendar year. Each Participant's incentive payment from the incentive pool will be based on such Participant's status (*i.e.*, exempt or non-exempt, Employer and job scope level) as of December 31 of the calendar year on which the incentive payment is based.

The incentive payment for a Participant who is an exempt employee is divided into two parts. The first part will be calculated based on a formula set forth in Exhibit I. The remainder of the Participant's potential incentive payment is drawn from a portion of the incentive pool ("Division Pool") allocated to the Participant's manager, in the discretion of the Executive Council of the Company ("Executive Council"), and allocated by such manager among the Participants supervised by the manager. The amount of the Division Pool will be determined by the Executive Council based on the performance of the applicable business unit. The allocation of the Division Pool among the Participants in the business unit will be determined by the

manager of such business unit based on individual performance of each Participant in the business unit. The discretion exercised by the Executive Council and each manager in this respect is conclusive.

The incentive payment for a Participant who is a non-exempt employee will be awarded to the Participant on a calculated, formula basis set forth in Exhibit I.

Any Participant who terminates employment with the Employers and their affiliates due to death, disability or retirement, pursuant to an Employer's qualified retirement plan, during a calendar year will be deemed a Participant on December 31 of such calendar year, and will receive a prorated calculated incentive payment for such year based on his or her Eligible Earnings as determined pursuant to Exhibit I, through the date of termination of employment.

5. Distribution of the Incentive Payment.

The elements of each incentive payment, namely, (1) the calculated incentive payment amount and (2) the discretionary incentive payment amount, if applicable, are distributable to the Participant, or his or her beneficiary, in cash in a single sum as soon after the end of the applicable calendar year as practicable, in the same manner as payroll.

6. Continuity of the Plan.

Although it is the present intention of the Company to continue the Plan in effect for an indefinite period of time, the Company reserves the right to terminate the Plan in its entirety as of the end of any calendar year or to modify the Plan as it exists from time to time, provided that no such action shall adversely affect any incentive payment amounts previously earned in a preceding calendar year under the Plan.

7. Notices.

Any notice required or permitted to be given by the Company or the Committee pursuant to the Plan shall be deemed given when personally delivered or deposited in the United States mail, registered or certified, postage prepaid, addressed to the Participant, his or her beneficiary, executors, administrators, successors, assigns or transferees, at the last address shown for the Participant on the records of the Company or subsequently provided in writing to the Company.

8. Withholding.

The Company may withhold from any incentive payment under the Plan amounts sufficient to satisfy applicable withholding requirements under any federal, state or local law, and deductions as may be required pursuant to agreement with, or with the consent of, a Participant, including any elective deferrals under the NiSource Inc. Retirement Savings Plan and the NiSource Inc. Executive Deferred Compensation Plan.

9. Miscellaneous Provisions.

(a) No incentive payment under the Plan shall be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance or charge prior to actual

receipt thereof by the payee; and any attempt to so anticipate, alienate, sell, transfer, assign, pledge, encumber or charge prior to such receipt shall be void; and the Company shall not be liable in any manner for or subject to the debts, contracts, liabilities, engagements or torts of any person entitled to any incentive payment under the Plan.

(b) Nothing contained herein will confer upon any Participant the right to be retained in the service of an Employer or any affiliate thereof nor limit the right of an Employer or any subsidiary thereof to discharge or otherwise deal with any Participant without regard to the existence of the Plan.

(c) The Plan shall at all times be entirely unfunded and no provision shall at any time be made with respect to segregating assets of an Employer or any affiliate thereof for payment of any incentive payments hereunder. No Participant or any other person shall have any interest in any particular assets of an Employer or any affiliate thereof by reason of the right to receive an incentive payment under the Plan and any such Participant or any other person shall have only the rights of a general unsecured creditor of an Employer or any affiliate thereof with respect to any rights under the Plan.

(d) Any portion of the incentive pool not allocated to Participants for a given calendar year shall remain a general asset of the Company.

10. Governing Law.

The provisions of the Plan shall be construed and interpreted according to the laws of the State of Indiana, except as preempted by federal law.

IN WITNESS WHEREOF, the Company has caused the Plan to be executed in its name by its duly authorized officer this 16th day of July, 2004, effective as of the 1st day of January, 2004.

NISOURCE INC.

By: ATU Boudreau

Exhibit I

2004 Incentive Calculation

- Financial trigger: Basic earnings per share from continuing operations ("EPS") of \$1.65 as of December 31, 2004, after accounting for the cost of the incentive pool. Therefore, EPS must be higher than \$1.65 in order for an incentive pool to be established.
- Incentive pool: Any earnings above the financial trigger may, in the discretion of the Committee, fund the incentive pool.
- Eligible Earnings: Actual base earnings in 2004 plus all shift premiums and overtime pay. (Reimbursements for educational assistance, relocation, meals, mileage, incentive payments, and long-term disability payments are not included in base earnings.)
- Payout Percentage: Each Participant will be given an incentive opportunity range, from trigger to maximum, during February 2004 and will be assigned his or her Payout Percentage as soon as practicable after the release of 2004 Company earnings.
- Incentive Payment:
- (a) Each Full Participant who is a non-exempt employee will receive his or her incentive payment from the incentive pool as a fixed percentage of his or her Eligible Earnings, according to the following formula:

$$\text{Non-Exempt Employee Incentive Payment} = \text{Eligible Earnings} \times \text{Payout Percentage}$$
 - (b) Each Full Participant who is an exempt employee will receive his or her incentive payment from the incentive pool partly from the formula set forth below and partly as a discretionary payment, as described in the Plan.

$$\text{Exempt Employee Incentive Payment} = \text{Eligible Earnings} \times \text{Payout Percentage} \times 66\frac{2}{3}\% + \text{discretionary payment, if any}$$
 - (c) Each Limited Participant will receive 50% of the amount calculated in paragraph (a) or (b) above, as applicable.

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RESPONSE OF BAY STATE GAS COMPANY TO THE
ELEVENTH SET OF INFORMATION REQUESTS FROM THE D.T.E.
D. T. E. 05-27

Date: June 23, 2005

Responsible: Steven A. Barkauskas, Vice President Total Rewards
NiSource Corporate Services Company

DTE-11-25 Has the Company performed any overall unit-labor cost comparability studies between itself and other utilities and/or other industries? If so, please provide a copy of any such study performed.

Response: Bay State does not have unit-labor cost comparability studies between itself and other utilities and/or other industries. In the past when Bay State participated in benchmarking studies through the American Gas Association, it found that different accounting treatments of various categories of costs by the different companies participating in the study resulted in the data being non-actionable. Examples of the different accounting treatments include: not including fleet and equipment charges or benefit overheads, not including paving or permitting charges, and not including main tie-in or service tie-over costs.